
GUIDEBOOK

The Ecofi SRI EUROPE Index (Net Return and Price Return)

Version 1.0, 11 Nov 2015

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1. Introduction

The Ecofi SRI EUROPE Index (the “Index”) is designed to reflect the performance of a dynamic portfolio of thirty three equally weighted equity securities (each, a “**Stock**” and together, the “**Stocks**”) listed on various Europe-wide exchanges. The Index has been developed independently by **Finvex Group**, acting as Index Sponsor (“**Finvex Group**” or the “**Index Sponsor**”).

The thirty three Stocks are selected on a monthly basis from a socially responsible investment universe delivered by Ecofi research (the “**Ecofi SRI Universe**”) on each Monthly Selection Date (as defined in section 2.1 below) and are listed on the exchange(s) of one of the Eligible Geography (as outlined in section 2.2 below) using a rules-based selection methodology designed by Finvex Group.

The “**Selection Methodology**” (defined in sections 2.3, 2.4 and 2.5 below) will first rank all the Stocks forming the Ecofi SRI Universe by calculating a score for each Stock respectively, after applying a liquidity filter to the Ecofi SRI Universe. This score is determined by an analysis based on the value and quality associated to each Stock. Such score leads to the selection of two third of the initial Ecofi SRI Universe (the “**Ecofi SRI Universe Subset**” as defined further in section 2.3 below) which is formed by the top ranked equities according to this score. The Ecofi SRI Universe Subset is then ranked on the basis of different risk and risk concentration parameters that are derived from the compounded returns of such individual securities.

The Index objective is to reflect the performance of the thirty three Stocks within the Ecofi SRI Universe that meet the liquidity criteria, have the highest value and quality characteristics in conjunction with the lowest risk based on the selection methodology while maintaining a soft turnover, a sector constraint and a regional constraint.

The monthly selection of the Stocks within the Ecofi SRI Universe is undertaken by Finvex Group. Finvex Group is a specialist research, portfolio construction and index design firm¹.

Ecofi Investissements, acting as Index Advisor, (“**Ecofi**” or the “**Index Constituents Advisor**”) is a subsidiary 100% owned by the Crédit Coopératif Group (“**Crédit Coopératif Group**”). As a banking group well established in the social economy, Crédit Coopératif Group is attentive to the needs expressed by all its customers (institutions, corporates, associations, foundations, federations, and public works companies) - as specific as they are, and is resolutely committed to provide useful and innovative financial services which combines sense and performance.

S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) (the “**Calculation Agent**”) will act as calculation agent for the Index and organize the daily calculation and dissemination of the Index closing value.

Two versions of the Index are available as follows:

- **Ecofi SRI EUROPE Net Return Index EUR** (Bloomberg® code: **EISRIER Index**)

The Ecofi SRI EUROPE Net Return Index EUR is a total net return index. This index consisting of 33 members, equally weighted, targets the largest European listed companies with high Environmental, Social and Governance ratings. Index members are reviewed and updated on a monthly basis;

- **Ecofi SRI EUROPE Price Index EUR** (Bloomberg® code: **EISRIEI Index**)

The Ecofi SRI EUROPE Price Index EUR is a price index: It synthetically replicates the value of the Ecofi SRI EUROPE Net Return Index minus a fixed dividend yield.

¹ Finvex Group S.A. has its registered offices at Arenbergstraat 44, 1000 Brussels, Belgium.

The Ecofi SRI EUROPE Net Return Index is a total return net index: the value of the proceeds of dividends paid in respect of each constituent Stock, after deduction of any applicable withholding tax, is reinvested into the Index (see section 4.4. Dividend Treatment and section 5.5 Index Formula).

The Ecofi SRI EUROPE Price Index is a synthetic price index: it replicates synthetically the value of an index which does not reinvest the proceeds of the dividends. It is based on the value of the Ecofi SRI EUROPE Net Return Index less a fixed dividend yield of 4% per annum (see section 5.5 Index Formula).

2. Periodic Review

2.1. Review Dates

Monthly Review:

The composition of the Index is reviewed on a monthly basis on the last Business Day of each month (the “**Monthly Selection Date**”). In case such date is not a London Business Day, the Monthly Selection Date will be the first following calendar day that is a London Business Day. On each Monthly Selection Date, Finvex Group will apply the selection methodology and determine the new Stocks that will become constituents of the Index (each, a “**New Index Constituent**”) as of the Rebalancing Date. The Index rebalances three London Business Days following each Monthly Selection Date (each, a “**Rebalancing Date**”), subject to at least 85% of the total market capitalization of the Dow Jones Sustainability Europe Index being open for trading on that day. If less than 85% is open for trading then the Rebalancing Date will be the first following calendar day that is a London Business Day and where at least 85% of the total market capitalization of the Dow Jones Sustainability Europe Index is open for trading.

To ensure that the Index is always accurate and is calculated with the most up-to-date constituent data, the component data (i.e. Weighting Factor of each constituent Stock) of the Index is also reviewed on each Rebalancing Date by Finvex Group and may be adjusted by S&P with effect from the next London Business Day.

For the purposes of this Guidebook, “**London Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

2.2. Ecofi SRI Universe

The **Ecofi SRI Universe** i.e. the stocks that are eligible for inclusion in the Index, is reviewed on each Monthly Selection Date. It comprises all stocks that are, on such Monthly Selection Date:

- (1) among the largest 600 European stocks in terms of capitalization representing the European region (i.e. Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom) and;
- (2) stocks which, after each monthly Ecofi research review date, benefit from a strong Ecofi SRI corporate rating based on Vigeo corporate rating agency and Sustainalytics environmental, social and governance (“ESG”) data used in conjunction with a “two-filters” Ecofi internal screening process. The Ecofi internal screening process includes a proprietary methodology - the so-called “Ecofi Touch” - which enforces the global selection process with the principles and values of Crédit Coopératif Group. This full screening process is rigorous, transparent and used in an attempt to go beyond usual information disclosed by companies and to select the best companies by comparing their rhetoric to the reality of their ESG performance via:

- a global assessment of ESG performance that focuses on:

- quantitative indicators of companies’ results. For example: CO2 emissions per MWh for electricity providers, the frequency and severity of accidents in the building sector etc.;

- the “Ecofi Touch”, which consists in overweighting investments in companies which share the corporate principles promoted by Crédit Coopératif Group: balance of power, responsible relationships with customers and suppliers, rejection of tax havens, no discrimination.

- an evaluation of all kind of controversies faced by companies. This second filter is used to exclude or reduce investments in companies involved in significant incidents such as pollution, corruption, money laundering, violations of human rights etc.

2.3. Elimination Process

On each Monthly Selection Date, Finvex Group shall firstly apply a liquidity filter to the Ecofi SRI Universe in order to exclude the securities that do not meet the liquidity threshold. The liquidity is determined by Finvex Group on the basis of the average daily trading volume during the 6 months prior to the Monthly Selection Date and the threshold is set to EUR 15 million equivalent. The “**Average Daily Trading Volume**” is defined as the product of the average number of a stock traded with the average price of the same stock expressed in EUR over the 6 months prior to the Monthly Selection Date.

In the event that the application of the liquidity filter reduces the Ecofi SRI Universe to below 100 securities, Finvex Group will relax the liquidity threshold to ensure that 100 securities are part of the remaining universe.

On each Monthly Selection Date, secondly, the remaining universe of securities after the application of the liquidity filter is further filtered by so-called value and quality factors and is split into 4 European sub-regions being: (1) UK and Ireland, (2) Nordic countries, (3) Switzerland and (4) Core Europe. For each sub-region, one third of the securities with the lowest value and quality characteristics are removed from the remaining universe such that at the end of this process, a subset of two third of the initial Ecofi SRI Universe (the “**Subset**”) is formed by securities that offer the best value and quality parameters.

2.4. Selection Process

The Stocks that will become the New Index Constituents are selected from the Subset. This selection process is based on a ranking on different risk parameters. The securities that have the lowest risk on the basis of such parameters while targeting a regional representativity which is in line with the market cap of that region within the Ecofi SRI Universe and a sector concentration cap of 25% maximum per sector and a soft turnover constraint will become the New Index Constituents.

2.5. Weighting factors

To ensure that all Stocks in the Index are appropriately weighted and these changes are subsequently reflected in the resulting component weights, the weighting factors for each Stock in the Index are reset at the close of business of each Rebalancing Date.

The weighting factors are set so that each New Index Constituent is equally weighted as described in section 4.5.

2.6. The Index Committee

The Index committee (the “**Committee**”) will be composed of no less than four members, comprising two Finvex Group executives, one Ecofi executive and one independent member.

The purpose of the Committee is to review the methodology of the Index without any discretion to change such methodology. Changes to the index methodology can only be undertaken if required by regulations, regulators or in case of force majeure. The Committee shall convene once per year during the month of July and can otherwise convene upon the request of any member.

However, the Committee may assemble additionally on any other day of the year under exceptional circumstances which include (but are not restricted to):

- Continuous adverse trading conditions (e.g. collapse in trading volume of a single Stock or a whole exchange or the whole equity market);
- Trading restrictions imposed by exchanges or regulators;
- Restricted access or suspension of information on the Ecofi SRI Investment Universe and its constituents.

The Committee may in these exceptional circumstances and other situations of force majeure revise the Index methodology and will publish any such changes and revisions. Decisions by the Committee need to be approved by a majority of more than 50% of the members of the Committee.

2.7. Role of parties

Ecofi will provide Finvex Group on each Monthly Selection Date with the Ecofi SRI Universe defined in Section 2.2.

Finvex Group will submit to S&P the New Index Constituents and the Target Weight per New Index Constituent no later than one London Business Day following each Monthly Selection Date and inform Finvex Group such selections.

One Business Day prior to each Rebalancing Date, the Calculation Agent will determine the Weighting Factors for each New Index Constituent.

S&P is responsible for fixing and updating the calendar of the Rebalancing Dates, the maintenance of the Index, calculating the Index value, and its dissemination on each end of day (EST) Monday through Friday (except if all exchanges of the underlying components are closed).

Finvex Group and Ecofi will ensure that the Index complies with the publically available ESMA's guidelines on the eligibility of financial indices for UCITS.

3. Ongoing Maintenance

In addition to the periodic reviews, the Index is also continually reviewed by Finvex Group for corporate events which may affect the Stocks comprising the Index – e.g. mergers, takeovers, spin-offs, de-listings and bankruptcy.

3.1. Stock Deletion

For all corporate events that result in a Stock being removed from the Index, such Stock will not be replaced. The Index will be calculated with less than 33 components until the next Rebalancing Date.

3.2. Changes due to Spin-Offs

If a component Stock is split to form two or more companies, the following rules apply:

- If the original Stock is going to be de-listed after the spin-off, the original Stock will be replaced by the eligible spun-off stock or will not be replaced according to the rules set forth in section 3.1 above;
- Otherwise the original Stock will remain in the Index with a price adjustment and the spun-off stock will be added as an additional Stock with a weighting factor based on the terms of the spin-off;
- The deletion of a Stock from, or the addition of a Stock to the Index as a result of a spin-off shall be implemented using the same methodology as that used by S&P in its management of indices.

3.3. Changes due to Mergers & Takeovers

Component & component:

If two or more component Stocks merge or one Stock takes over another or several other component Stocks, the resulting stock shall be included in the Index unless it no longer qualifies for inclusion in the Index. The original component Stocks shall be deleted.

Deleted component Stocks due to a merger or takeover shall not be replaced in accordance with section 3.1 above.

The deletion of a Stock from, or the addition of a Stock to, the Index as a result of a merger or takeover shall be implemented using the same methodology as that used by S&P in its management of indices.

Component & non-component:

If a component Stock merges with or takes over a non-component, the following rules apply:

If the newly formed company qualifies by fulfilling all Index investment universe criteria as described in section 2.2, then it shall be included in the Index and shall replace, and shall have the same weight as, the original Stock.

If the newly formed company does not qualify by fulfilling all Index investment universe criteria as described in section 2.2, then the original Stock shall not be replaced in accordance with section 3.1 above.

The deletion of a Stock from, or the addition of a Stock to, the Index as a result of a merger or takeover shall be implemented using the same methodology as that used by S&P in its management of indices.

3.4. Changes due to Illiquidity

S&P shall consider deleting from the Index any Stock that is illiquid for the following reasons:

- 10 consecutive non-trading days
- Suspension from trading
- Ongoing bankruptcy proceedings

If a Stock is deleted in accordance with this section 3.4 it shall not be replaced in accordance with section 3.1 above.

The changes to the composition of the Index due to the illiquidity of a component Stock shall be implemented using the same methodology as that used by S&P in its management of indices.

3.5. Changes due to Nationalization or Delisting

Component Stocks that are to be nationalized or de-listed for reasons that have not already been described, will be deleted from the Index. The deleted Stock shall not be replaced in accordance with section 3.1 above.

The changes to the composition of the Index due to the delisting of a component Stock shall be implemented using the same methodology as that used by S&P in its management of indices.

3.6. Changes due to Rights Offerings, Stock Splits or Stock Dividends

Component Stocks that have a rights offering, stock split or stock dividend will have their price and weighting factor adjusted on the ex-date of the event.

3.7. Changes due to Special Cash Dividends

Index components that have a special cash dividend will have their price adjusted on the ex-date of the event.

3.8. Changes due to Special Events

In case that one of the index components is suspended, removed from listing, cannot be traded or is publicly exposed for any specific reason due to ESG controversial event then, the Index Committee will be consulted specially to decide if the component needs to be replaced and when such replacement shall occur.

3.9. Index Disruption Events

In the event that Ecofi research:

- a. permanently stops producing the Ecofi SRI Universe; or
- b. makes a material change in the process by which constituent stocks are selected in the Ecofi SRI Universe

The Committee shall determine the consequences of such event which may include, but shall not be limited to, (a) the replacement of the provider of the Ecofi SRI Universe, if any, or an alternative comparable index acceptable to the Committee; or (b) permanently cancel the Index.

4. Index Features & Data Dissemination

4.1. History and Index Value

The Index was launched in November 2015.

Historical Index values are available since 3 July 2009; the Index started with an Index Value of 1,000.00 on 3 July 2009.

4.2. Stock Prices

The stock prices used to calculate the Index are:

- The opening price: the first traded price during the official trading hours of the stock's trading system; until this is available, the previous day's closing/ adjusted price is used;
- The intraday price: the currently traded price during the official trading hours of the stock's trading system. As long as the stock is not traded, the last available stock price will be used. This could either be the last available intraday stock price (e.g. if the stock is temporarily suspended) or the last available closing/ adjusted price (e.g. if the stock exchange is closed);
- The closing price: the last traded price or auction price during the official trading hours of the stock's trading system. If the stock has not been traded all day, then the previous day's closing/ adjusted price shall be used;
- The adjusted price: the closing price is adjusted to reflect a stock's corporate action effective the next trading day.

4.3. Currency Rates

The applicable closing currency rate for the calculation of the closing Index values are the official fixed foreign exchange rates at 16:00 hours London time as provided by WM Company.

4.4. Dividend Treatment

The Index is available as both a net return index (Ecofi SRI EUROPE Net Return Index, all regular dividends are re-invested proportionately across the Index components and only extraordinary and special cash or dividends from non-operating income are re-invested in the respective stock) and a synthetic price index (Ecofi SRI EUROPE Price Index) based on the net return index less a fixed synthetic dividend yield of 4%.

Dividend payments are included as net-of-tax dividends in accordance with the same methodology as that used by S&P, meaning the dividend amount received after deduction of withholding taxes.

(http://www.djindexes.com/mdsidx/downloads/withholding_tax.pdf).

4.5. Weighting Factors

On each monthly Review Date, the weightings of the components of the Index are obtained by calculating a weighting factor for each component Stock. The weighting factor for each component Stock is calculated one business day prior to the Rebalancing Date based on the closing prices of all New Index Constituents two business days prior to the rebalancing date.

It is calculated as follows:

$$\text{Weighting Factor}_i = \frac{1,000,000 \times \text{Target Weight}_i}{\text{Price EUR}_i}$$

and

$$\text{Target Weight}_i = \frac{1}{33}$$

With:

Price EUR_i = Price_{ij} x FX_{ij} = i.e. price of stock i calculated in EUR using the applicable EUR conversion rate

Price_{ij} = closing price of stock i at time j as defined in 4.2

FX_{ij} = the Currency Rates as defined in 4.3

4.6. Index Divisors

Index divisors for the Index are adjusted to maintain the continuity of the "Index's" values across changes due to corporate actions and/or changes in the composition of the Index.

4.7. Index Dissemination

The index dissemination calendar is determined by S&P according to its standards (<http://www.djindexes.com/symbolsandcalendars/?go=trading-calendar>).

4.8. Calculation Parameters

The Index is calculated as a price and a net return index.

The custom Index closing value is calculated in EUR, based on the closing price of each Old Index Constituent (an "**Old Index Constituent**" being a Stock which was a constituent of the Index as of the immediately preceding Rebalancing Date) subject to all exchanges of each of the Old Index Constituents being open for trading, and disseminated at the latest on the next London Business Day.

5. Calculation Model

5.1. Input Data Specification

The calculation of the Index is based on the following input data:

- Stock prices (local currency)
- Currency rates
- Weighting factors
- Corporate action information and data
- Divisor

5.2. Input Data Monitoring

Various verification and audit procedures are implemented to ensure that the stock price and currency rate input-data feeds are of the highest accuracy and consistency. These procedures include:

- Data filters
- Quality assurance tools
- Verification against secondary sources

5.3. Input Data Corrections

Every effort is made to prevent erroneous input data. If there are any incorrect index divisors, S&P shall correct them promptly upon discovery.

5.4. Data Accuracy

The accuracy of the input, computational and output data is specified below:

- Exchange rates: rounded to 10 decimal places
- Weighting factors: rounded to 10 decimal places
- Index divisors: float numbers
- Index values: rounded to 2 decimal places

5.5. Index Formula

The Custom Indexes are calculated using a Laspeyres formula.

The Custom Indexes are computed as follows:

- For the total-return Index (Ecofi SRI EUROPE Net Return Index) :

$$\text{Index}_t = \frac{\sum_{i=1}^n (p_{it} \times w_{it} \times F_{Xit})}{D_t}$$

- For the price Index (Ecofi SRI EUROPE Price Index) :

$$\text{Price Index}_t = \text{Index}_t \times \left(1 - \frac{\text{SDY}}{365} \right)^{\text{Delta}(t0,t)}$$

Where:

$Index_t$ = Ecofi SRI EUROPE Net Return Index value at time (t)

$\Delta(t_0,t)$ = number of calendar days between time (t) and time (t₀)

t₀ = Index launch date, i.e. 3 July 2009

SDY = is the fixed synthetic dividend yield and equal to 4%

n = the number of Stocks in the Index, i.e. 33

p_{it} = the price of Stock i at time (t)

w_{it} = the weighting factor of Stock i at time (t)

$F_{x_{it}}$ = exchange rate of currency of p_{it}

D_t = Divisor of the Index at time (t)

5.6. Index Divisor Adjustments

The index divisors are adjusted as follows in response to corporate actions or Index composition changes:

The following formula will be used for divisor adjustments:

$$D_{t+1} = D_t * (\sum_{i=1}^n (p_{it} * w_{it} * f_{x_{it}}) \pm \Delta MC_{t+1}) / (\sum_{i=1}^n (p_{it} * w_{it} * f_{x_{it}}))$$

ΔMC – Difference between units in the Index at closing and the units in the Index after calculation parameters have been adjusted: For companies with corporate actions at time t, the units in the Index calculated with adjusted closing prices, the adjusted weighting factors at time t+1 minus the units in the Index calculated with closing prices, weighting factors at time t. In general, a company's weighting factor is adjusted to offset all price adjustments made as a result of regular corporate actions except for special cash dividends and spin-offs. Divisor adjustments resulting from the regular maintenance of the Index are implemented in accordance with S&P's standard procedures.